

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

November 18, 2008

The Capital Projects and Bond Oversight Committee met on Tuesday, November 18, 2008, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Mike Denham, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Mike Denham, Co-Chair; Senators Jerry Rhoads and Dan Seum; and Representatives Robert Damron, Steven Rudy, and Jim Wayne.

Guests testifying before the Committee: Jeff Mosley, Finance Cabinet; Dr. Gary Ransdell and John Osborne, Western Kentucky University; John Hicks, Governor's Office for Policy and Management; Tom Howard and Brett Antle, Office of Financial Management; Bob Wiseman, University of Kentucky; Paul Kaplan and Nancy Brownlee, Finance and Administration Cabinet; Sandy Williams and John Covington, Kentucky Infrastructure Authority; Grey Giles, Catholic Healthcare Initiatives; Tom Strohmeier, Morgan Keegan; Chauncey Lever, Foley and Lardner; and Carl Herde, Baptist Healthcare System.

LRC Staff: Nancy Osborne, Shawn Bowen, Kristi Culpepper, Don Mullis, and Samantha Gange.

Representative Denham asked Nancy Osborne, Committee Staff Administrator, to review correspondence and information items.

Ms. Osborne said the first item of correspondence was an annual report from the Division of Real Properties regarding Energy Efficiency in Leased-in Facilities for Fiscal Year 2007. She noted that HB 2 passed in the 2008 General Assembly calls for new standards for high performance buildings for both state-owned and leased facilities.

The next item of correspondence was the annual report from the Auditor of Public Accounts on Lease Law Compliance for Fiscal Years 2006 and 2007. The report recommendations track back to the recommendations made to the Committee in May 2008 after the Auditor's Office reviewed the emergency leasing process related to an award of an emergency lease (PR-4725) for the Department of Corrections in Campbell County.

Ms. Osborne then briefly reviewed various items in the monthly Staff Update, including Western Kentucky University's involvement in the new Gateway to Downtown Bowling Green Signature Tax Increment Financing (TIF) project; and the University of Louisville's plan to implement a mandatory meal plan for all full-time undergraduate students. Also discussed was an article about Northern Kentucky University receiving consent from the Great Lakes Valley Conference to sell alcohol in the new Bank of Kentucky Center. The last item in the Staff Update noted the University of Kentucky's hiring of a firm to modernize the master plan for the Coldstream Research Campus.

Ms. Osborne next discussed items of old business. At the last meeting Committee members asked for an accounting of the expenditure of the \$75 million state grant that was used for the Louisville Arena Authority (LAA) project. The LAA reported that about \$450,000 was spent for feasibility studies, \$73.9 million was spent for design and construction expenses, and another \$996,000 was spent on administrative expenses. The second item of old business concerned a question that came up at the October meeting regarding how the rating agencies looked at the (TIF). It was noted that for the Arena transaction that the TIF revenue standing alone would not have received investment grade ratings.

Mr. Jeff Mosley, General Counsel for the Finance and Administration Cabinet, was asked to apprise the Committee of any litigation related to the Arena. Mr. Mosley reported that there is one lawsuit currently pending in Franklin Circuit Court where the LAA and the Finance Cabinet are both parties. The lawsuit involves an appeal from the determination made by the Finance Cabinet denying a protest by RAM Engineering and Construction Company, a subcontractor that was not successful in its bid. The issue pertains to the Construction Manager-at-risk (CM-at-risk) project delivery method in general as set forth in KRS Chapter 45A and whether the subcontracts procured by the CM-at-risk must be competitively bid. The Finance Cabinet determined relative to the Administrative protest that the subcontracts do not have to be bid competitively and that the selection of the CM-at-risk was proper. Mr. Mosley indicated that because the lawsuit is active litigation, he could not go into the details.

Representative Wayne asked if there was any statute that needed clarification. Mr. Mosley indicated that the Finance Cabinet believes that the statutes are clear and no revision is necessary. Representative Wayne asked if statutes require that a subcontractor follow the procurement code in regards to prevailing wage. Mr. Mosley indicated that this was a question he could not answer at this time without additional research. Rep. Wayne asked if the Finance Cabinet could clarify the issue by letter. Mr. Mosley said he would.

Representative Denham indicated that the Committee had a quorum and asked the secretary to take the roll.

Representative Rudy made a motion to approve the minutes of the October 21, 2008, meeting. The motion was seconded by Senator Seum and approved by voice vote.

Representative Denham introduced Dr. Gary Ransdell, President, Western Kentucky University (WKU) and Mr. John Osborne, Vice-President for Facilities Management, WKU, to discuss three items of new business.

Mr. Osborne requested approval for a \$1.7 million project to construct a chapel and columbarium on the main campus of WKU. The fund source is private cash donations through the WKU foundation. The project was approved by the WKU Board of Regents and the Council on Postsecondary Education. The project will be an improvement on state property that will be owned by the university. Additionally, the project will be managed by the university and state prevailing wage laws will apply.

Representative Wayne asked if an endowment had been set up to maintain the columbarium long-term. Dr. Ransdell said that the money used to purchase an individual niche, \$2,500, will go into an account. The account will pay for all costs, including maintenance of the facility.

Senator Rhoads made a motion to approve the WKU project to construct a chapel and columbarium at a scope of \$1.7 million. The motion was seconded by Representative Damron and passed unanimously by roll call vote.

Mr. Osborne reported a \$120,000 restricted funds scope increase for the WKU L.T. Smith Football Stadium Turf Replacement project. He said that in the earlier bidding process it became apparent that the project costs were underestimated.

Representative Denham asked Mr. Osborne to elaborate on the type of turf being replaced. Mr. Osborne said at the present time WKU has a synthetic turf with underlying drainage systems. Most all of the turf would be replaced with a new advanced turf that would be placed on the existing field.

Senator Rhoads made a motion to approve the turf replacement project scope increase of \$120,000. The motion was seconded by Senator Seum and passed unanimously by roll call vote.

Representative Denham asked Brett Antle, Deputy Director, Office of Financial Management, to come to the table. Mr. Antle discussed a new bond issue for Western Kentucky University, General Receipts Bonds, 2008 Series A. The bond is estimated to be \$46.9 million. Projects covered under this transaction are: Renovate Van Meter Hall, Renovate Science Campus Phase III, Expand Preston Center Phase II construction, Renovate Ivan Wilson Center Phase I, Replace Ford College of Business – Grise Hall, and Acquire Property and Construct Parking Lots. These six projects authorized were

under HB 406 of the General Assembly during the 2008 Session with a total budget of \$58.5 million.

Dr. Ransdell said it is pertinent that bonds are being sold at a value lower than authorized in the budget. He noted that WKU would seek state funding in the next budget cycle for the construction of the College of Business building. He said the university plans to use a small portion of the agency bond issue of \$5.8 million to allow the architect to select a site and for preliminary schematics.

Representative Wayne asked if any of these projects would be included in Bowling Green's (TIF) plan. Dr. Ransdell indicated that Van Meter Hall is located within the boundaries of the TIF, but there is no correlation. WKU has three sites under consideration for the College of Business building that could be funded with a state bond at a future point with General Assembly authorization. Two of the sites under review fall under the signature TIF, but it is unclear if any TIF revenues would come from the state project. The incremental growth of salaries paid to state employees in such a building is projected to accrue to the income tax revenue funding of the TIF.

Representative Wayne commented that the area of the TIF in Bowling Green has increased from 106 acres to almost 400 acres and includes part of the territory WKU is looking at for development. Dr. Ransdell said that there are other elements in the TIF that are yet to be determined. For example, there has been preliminary discussion between the medical center in Bowling Green and the Warren County Fiscal Court relative to a future medical center building to be developed under the TIF and owned by Warren County Fiscal Court. He said WKU may be interested in leasing this building for the College of Nursing. Another university variable in the TIF would be WKU fraternity and sorority houses. Dr. Ransdell said that the WKU College of Business site is the only TIF element that would involve state bonds.

Representative Wayne commented that there are a lot of unknowns at this point with respect to the TIF. Dr. Ransdell said that a primary objective of the TIF is to bring downtown Bowling Green and the WKU campus closer together for economic development and quality of life.

In response to a question from Representative Damron, Dr. Ransdell said that the 2008-2010 budget authorized \$5.8 million (agency bonds) for design of the new Ford College of Business – Grise Hall building.

Representative Damron asked about selling a 20-year bond during an unstable market and whether WKU considered issuing bond anticipation notes. Dr. Ransdell responded that WKU's Board of Regents has given the chief financial officer and the treasurer discretion regarding the bond structure.

Representative Damron commented that the bonds sell quickly if the yield is high and his concern is that the state is issuing long-term paper at an artificially unstable time in the market. Tom Howard, Executive Director, Office of Financial Management, responded that in discussions with rating agencies regarding bond anticipation notes, there has been some concern in future market access should disruptions come back. He said part of the strategy with Morgan Keegan is to be prepared and to go to the market place with an official statement and, if market conditions are favorable, sell the bonds. If the market conditions are unfavorable, Morgan Keegan would pull the transaction or advance refund the bonds. Additionally, Morgan Keegan verifies that the financing is available before moving forward with the project.

Representative Damron asked if Morgan Keegan was looking at a strategy of using bond anticipation notes as opposed to 20-year paper. Mr. Howard said that Morgan Keegan has looked at that option, but in conversations with rating agencies, there is some concern over the amount of bonds that might be in the marketplace.

Senator Seum made a motion to approve WKU General Receipts Bonds, 2008 Series A. The motion was seconded by Senator Rhoads and passed unanimously by roll call vote.

Representative Denham recognized Bob Wiseman, Vice President for Facilities Management, University of Kentucky (UK). Mr. Wiseman asked the Committee for its approval to combine project authorizations to renovate lab space in the Thomas Hunt Morgan Biological Sciences Building. The existing \$2.5 million in authority authorized in 2008 HB 406 will be consolidated with \$700,000 from a separate authority in 2008 HB 408 to upgrade and renovate research labs. The revised project scope would be \$3,200,000. This project was approved by UK's Board of Trustees at its October 14, 2008 meeting.

Representative Damron made a motion to approve the consolidation request. The motion was seconded by Senator Seum and passed unanimously by roll call vote.

Mr. Wiseman next reported it has used available restricted funds from the UK HealthCare Enterprise totaling \$6,936,239 to purchase five items of medical equipment. No further action from the Committee was required for this report.

Representative Denham called on John Hicks, Deputy Budget Director, Governor's Office for Policy and Management, and Paul Kaplan, Acting Commissioner, Department for Facilities and Support Services, Finance and Administration Cabinet, to present the Finance Cabinet's monthly project report.

Mr. Hicks reported the allocation of \$1,108,900 from the Finance and Administration Cabinet's Acquire Land/Demolish Buildings statewide pool. The funds

were used to purchase 34 acres for the Department of Military Affairs (DMA) to construct a National Guard Northern Kentucky Readiness Center in Burlington, KY.

Representative Denham asked why the purchase price was less than the appraised value. Nancy Brownlee, Director of the Division of Real Properties, joined Mr. Hicks at the table. Ms. Brownlee said that by statute, the purchase amount cannot be more than the appraisal amount, and that typically the state offers a purchase price below the appraisal amount and negotiates up to the appraisal amount.

Representative Denham asked where the property was located in Boone County. Ms. Brownlee said that the site backs up to the industrial park in Boone County and is near three large roadways.

Representative Denham noted that the state is spending \$8.7 million to purchase the land and the federal government is expected to spend \$19 million to construct the project. He asked if these figures were correct. Ms. Brownlee responded that the amounts were correct and added that if the state acquires property with federal funds, the appraised amount would be the purchase price.

Representative Denham asked what the balance was in the Statewide Deferred Maintenance Pool and have any other allocations for land acquisition projects been identified in the pool. Mr. Hicks said that he did not know of any current acquisition efforts and that the balance in the pool was about \$1.9 million.

Representative Wayne noted that DMA currently leases space from the Kenton County School District in Independence to support an armory. He asked what plan was in place for the current lease, which expires in 2014. Ms. Brownlee said that getting the construction bid together for the new armory would take time and, if necessary, the lease on the middle school armory could be extended until the new armory was finished.

Allocations over \$600,000 funded from authorized capital project pools are to be reported to the Committee. No further action was required.

Representative Denham thanked Mr. Hicks and Mr. Kaplan. He then asked Ms. Brownlee to report three lease reports from the Division of Real Properties.

Ms. Brownlee reported lease modifications for two properties in Franklin County. The first item reported was a lease modification for PR-3761, Council on Postsecondary Education. The agency requested improvements at the leased space are for installation of ADA compliant automatic door opening equipment at the point of entry for the Adult Education program. The cost of the improvements, \$1,546, will be amortized over the remaining lease term (June 30, 2012).

The second item reported was a lease modification for PR-4723, Energy and Environment Cabinet (EEC). The Division of Waste Management has requested electrical improvements to its leased facility to accommodate a recently acquired new dust collection system. The cost of the improvements, \$3,209, will be amortized over the remaining lease term (June 30, 2010).

The last item reported was a quarterly report of leased square footage modifications for six state agencies. The six modifications resulted in a total net increase of 192.5 square feet and net increase of \$12,859.44 annually in leasing costs.

Representative Denham thanked Ms. Brownlee and called on John Covington, Executive Director of Kentucky Infrastructure Authority (KIA), and Sandy Williams, Fiscal Analyst, KIA.

Ms. Williams first discussed a KIA Fund A loan for the City of Williamstown, Grant County. She indicated that earlier in the year, the KIA Board approved a \$17,848,000 Fund A loan to build a new two million gallons per day wastewater treatment plant and construct sewer lines connecting the old and new treatment plants. The new plant is needed to meet the upcoming federal Environmental Protection Agency (EPA) requirements. She said summary information on this project was submitted to the Committee at its June meeting. At that time, the proposed loan was not approved due to a lack of a motion. The Committee deferred a vote on the project in order to allow KIA staff to gather additional information regarding the public notification process surrounding the substantial customer rate increase required to meet the debt service requirements of the loan.

Ms. Williams said that at the request of the KIA staff, and prior to the KIA Board meeting, the Williamstown City Council met on April 21, 2008, to discuss the impact of the rate increase. The council approved the project with the rate increase and instructed the mayor to request KIA funding for the new plant. On July 7, 2008, the Williamstown City Council had its first reading of the ordinance to pass the rate increase. On July 15, 2008, the Williamstown City Council unanimously voted to pass the rate increase.

Mr. Covington addressed the previous concerns of the Committee that the Williamstown community had been apprised of the rate increase. He reiterated that the city council has had two regular scheduled meetings to pass the rate increase and a special meeting to gather additional input. He said that KIA was concerned that the project was not approved because the Williamstown project was on the State Revolving Fund (SRF) priority list and the project has an environmental impact. He said the project will have to be completed to comply with EPA requirements.

Senator Seum asked how the Williamstown City Council notified citizens that the rates were going to increase. Mr. Covington responded that the meeting was advertised in

the newspaper. Senator Seum asked if the city was under a federal mandate for a new wastewater treatment plant. Ms. Williams said that the city was hoping to avoid the federal mandate and was trying to be pro-active and meet the upcoming requirements.

Senator Seum said that his original objection to the project was the major rate increases. He asked KIA to confirm that the citizenship were in fact aware of the rate increases.

Representative Wayne asked what was the median debt per customer in the state for wastewater treatment. Mr. Covington responded that he did not know. Representative Wayne asked how the debt per customer is incurred compared to other systems of the state. Mr. Covington said that other cities have had similar situations where the treatment plants are dated and need to be replaced. He said that the Williamstown project is not a unique situation with significant rate increases. As aging infrastructure is replaced, additional customers are not added and the only way to pay for new infrastructure is to pass the costs to the existing citizenry.

Representative Wayne said he understood that the KIA Board did not receive the June letter that the Committee sent to the Finance Secretary explaining the rejection of the project. Representative Wayne asked that any future correspondence with the Finance Secretary on KIA projects be shared with the KIA Board. Mr. Covington said that in future instances the KIA Board will be notified.

Representative Denham clarified that Mr. Covington did receive the June letter. Mr. Covington responded that they did receive a copy.

Senator Seum asked if the mayor and the city council had been invited to the Committee meeting. Mr. Covington said that the city was aware that KIA was presenting the project again to the Committee.

Representative Damron made a motion to approve the Fund A loan for the City of Williamstown, Grant County. The motion was seconded by Senator Rhoads. Four members voted affirmatively, and two members voted "No." The motion did not pass.

Representative Denham asked if any members would like to explain their votes.

Representative Wayne explained his "Yes" vote. He said he believed the citizens of Williamstown were aware of the rate increase, which was the Committee concern raised in June.

Representative Damron explained his "Yes" vote. He said that the town does not seem to have any other choice but to build the new plant and incur the rate increases and that the citizens are in support of the project.

Senator Rhoads explained his “Yes” vote. He said that all the citizens in Williamstown had an adequate opportunity to be heard, and he believed the elected local officials of Williamstown are best able to determine the local needs.

Ms. Williams next reported that the City of Berea, Madison County, is requesting a \$1 million increase to the \$4 million Fund F loan approved by the Committee in February 2008. The proceeds of the loan will be used to upgrade the city’s water treatment plant and raw water intake facilities. The new loan amount would be \$5 million. The increase is due to cost overruns that happened after the project’s estimated bid was reevaluated.

The Fund F loan of \$5 million will be combined with a \$500,000 line-item grant and \$4.2 million of local funds for a total project amount of \$9.7 million. The loan is 20 years with an interest rate of 1%. The increase was approved by the KIA Board at its November meeting.

Representative Wayne commented that the work the KIA does is important. He asked if the KIA Board could in the future present to the Committee an actual bid instead of the estimate. Mr. Covington responded that the KIA policy has changed to allow due diligence to review the initial project. He said that KIA will review the process of approving projects and come up with a process where the KIA reviews projects that address the concerns of the KIA Board of having time to do adequate due diligence on the projects, and address the concerns of the Committee in having accurate numbers and an accurate budget.

Representative Wayne asked if the KIA staff would notify the KIA Board that the Committee is concerned with projects submitted for its approval for which the budgets are based upon stale engineering estimates that do not reflect current market costs. Mr. Covington responded that he would.

Representative Denham commented that he would like to see a list of each approved loan by the KIA prior to the project being bid that notes the project’s status. Mr. Covington responded that the changes were made by KIA in an attempt to streamline the State Revolving Fund (SRF) process. Four years ago, KIA was receiving citations from the federal EPA because the state was not spending the money in an appropriate manner (the SRF Fund A used for sewer projects and the SRF Fund F used for drinking water projects are capitalized with federal funds). In an effort to improve the program, changes were made in the policy and, because of these changes, KIA was able to commit all available funds for the first time last year. Mr. Covington indicated that KIA pledges to look at the changes and determine which ones are working and which ones are not and this may be one of the policies needs to be tweaked. He added that KIA needs to assure

potential borrowers that they have a commitment of funds before they start incurring costs along the way of designing a project.

Representative Damron made a motion to approve the Fund F loan increase of \$1 million for the City of Berea, Madison County. The motion was seconded by Representative Wayne and passed unanimously by roll call vote.

Ms. Williams next discussed a request from South Logan Water Association for a 2020 grant in the amount of \$50,000. The grant will be combined with a HB 380 grant of \$200,000, for a total project amount of \$250,000 to replace approximately 1,700 water meters to eliminate excessive water loss.

Representative Wayne made a motion to approve the 2020 grant for the South Logan Water Association. The motion was seconded by Senator Rhoads and passed unanimously by roll call vote.

Ms. Williams next reported various coal/tobacco development grants that were funded through line-item appropriations from the General Assembly in 2006 and 2008. No further action from the Committee was required.

Mr. Covington updated the Committee on a few items of interest. He discussed an economic stimulus bill introduced in the U.S. Congress that passed in the House, but died in the Senate. Since the November election, there has been significant interest in passing an economic stimulus bill. KIA has heard from Washington that this bill may include \$7.5 billion for water and wastewater infrastructure. Kentucky will receive approximately \$75 million should the legislation pass in its current form. The original bill would not require state match and would have broader, non-traditional type SRF projects. Once the state receives the funds, KIA would have to commit the funds within 120 days. KIA will have a conference call with EPA regarding what is anticipated and how the funds will be dispersed and administered. KIA will be working with the state Division of Water to make plans.

Mr. Covington also noted that the current state budget authorizes KIA to issue \$200 million in leverage bonds for the Clean Water Program and \$30 million for the Drinking Water Program. KIA has started conversations with the State Budget Director's Office, Office of Financial Management, and the management consultant First Southwest (Dallas, TX), on how to issue the bonds if the opportunity arises. He indicated that it would be late spring or summer 2009 before these bonds could be issued. He commented that several other states have discussed issuing leverage bonds and KIA will be monitoring to see if any of those states come to market. He said rating agencies have typically given SRF leverage bonds a high rating. KIA would also monitor how the rating agencies see new issues in the current market. Additionally, KIA has started looking at the loan pool to determine which loans would be eligible for the leverage bonds.

Representative Denham thanked Mr. Covington and Ms. Williams for their report. He then called Mr. Antle to the table to discuss other projects submitted by the Office of Financial Management.

Mr. Antle presented two new bond issues for the Kentucky Economic Development Finance Authority (KEDFA). The first bond issue, KEDFA Hospital Revenue Bonds, Series A and Variable Rate Demand Hospital Revenue Bonds, 2008B (Baptist Healthcare System Obligated Group), had gross proceeds not to exceed \$600 million. The proceeds will be used to refinance and finance hospital facilities at five hospitals and Baptist Healthcare System support services in St. Matthews, Lexington, Paducah, Corbin, and LaGrange. The new money portion is in the amount of \$145.3 million for capital improvements and equipment. The refunding portion of the transaction is to refund the interim bank loan in the amount of \$280.9 million that was used to redeem previously outstanding auction rate KEDFA bonds and to redeem \$115.3 million of outstanding auction rate KEDFA bonds.

Representative Denham asked for further information on Baptist Healthcare Systems. Carle Herde, Chief Financial Officer, Baptist Healthcare System, said that Baptist Healthcare System serves the most patients of any healthcare system in the state.

Representative Wayne made a motion to approve the KEDFA bond issue. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

Representative Damron noted that although this is a conduit bond issue and has no impact on the state's debt, the associated projected interest rate, 5.6%, is high. Representative Denham agreed that the bond issue carried a high interest rate.

Next Mr. Antle presented a new bond issue on KEDFA Industrial Building Revenue Bonds, Series 2008, Catholic Healthcare Initiatives. The proceeds will be used to reimburse previously incurred capital expenditures related to health facilities projects in Mt. Sterling, London, Lexington, Nicholasville, and Bardstown. The estimated gross proceeds are \$438,920,000.

In response to questions from Representative Denham, Greg Giles, Senior Financial Analyst, St. Joseph Health System, a subsidiary of Catholic Healthcare Initiatives (CHI), responded that CHI has locations in Lexington, Bardstown, London, Berea, Martin, and Mt. Sterling.

Representative Denham asked why the projected interest rate (7.5%) for this bond issue was high. Chauncey Lever, Bond Counsel from Foley and Lardner, bond counsel, introduced himself to the Committee and responded that this portion of the overall financing plan was contemplated to be variable rate bonds. Because of the market

turmoil, the liquidity facilities that were anticipated to be available ended up not being available. Therefore, the bond issue is not pricing today, it is going to wait until January or thereafter in order to be priced because of the current market situation.

Mr. Lever said the projects are in various stages and, because of the market situation; there is a slowdown in some of the projects. He said St. Joseph Health System and Catholic Health Initiatives want to proceed with the bond issue, but cannot say when bonds will actually be sold. He said the final rate structure has not been determined. The structure may include fixed or variable rate financing or term bonds.

Senator Seum asked if the Commonwealth serves as a conduit and if the borrower is not getting a lower interest rate, then what is the advantage of using the Commonwealth as a conduit. Mr. Lever responded that this is a relatively lower rate, although interest rates are currently higher and advantageous for the health system.

Representative Wayne made a motion to approve the KEDFA Industrial Building Revenue Bonds, Series 2008 (Catholic Health Initiatives). The motion was seconded by Senator Rhoads and passed unanimously by roll call vote.

Representative Damron explained his “Yes” vote. He indicated that the reason for using the Commonwealth as a conduit is because health facilities are currently having a hard time getting financed. He commented that the problem with these types of interest rates is that the costs are going to come back to everyone. Although the state might not be paying today, the state will be paying for the next 30 years because of Medicare and Medicaid costs. He said it raises the question of who is really managing the costs of health care.

Mr. Antle next presented five follow-up reports for previously approved bond issues: State Property and Buildings Commission (SPBC) Revenue and Revenue Refunding Bonds, Project No. 90, \$375,991,464; SPBC Revenue and Revenue Refunding Bonds, Project No. 91, \$15,870,816; SPBC Revenue and Revenue Refunding Bonds, Project No. 92 Department of Military Affairs, Bluegrass Station, \$4,975,000; Kentucky Housing Corporation (KHC) Revenue Bonds, 2008 Series E and Series F, \$49,270,000; and KEDFA Variable/Fixed Rate Demand Solid Waste Disposal Revenue Bonds KEDFA Solid Waste Disposal Revenue Bonds (Republic Services, Inc. project) Series 2008, \$18,025,000 Each of these bond issues were approved at previous Committee meetings, and no further action was required.

Representative Denham asked if KHC was still having problems selling bonds because of the market situation. Mr. Antle responded that the marketplace for housing bonds has opened back up, and the yields are higher.

Mr. Antle next reported on an amendment to previously approved financing for KHC Multifamily Housing Revenue Bonds, Series 2008 (Grand Oaks Apartments Project). A change was made in the structure of the transaction. Rather than proceed with a negotiated sale as anticipated, the bond issue will be a private placement with Red Capital Markets, Inc. The bonds' term is now 20 months. No Committee action was required for this amendment. The scope of the project remains the same.

Mr. Antle said also included in members' folders was an update on the 2008 Private Activity Bond Cap allocated by the Kentucky Private Activity Bond Allocation Committee. The Committee met on November 6, 2008 to allocate the balance of the local issue report for this year. At the meeting, the Committee also allocated its entire Housing Assistance Tax Act volume cap of \$132,810,201 to KHC. No Committee action was required.

Mr. Antle reported six new bond issues with School Facilities Construction Commission (SFCC) debt service participation: Anderson County, Bourbon County, Garrard County, Grayson County, LaRue County, and Wolfe County.

Senator Rhoads made a motion to approve the new bond issues for SFCC. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Ms. Osborne reported one locally-funded school district bond issue for LaRue County. No further action was needed by the Committee.

Ms. Osborne said the Committee's next meeting is scheduled for December 16 at 1:00 p.m. in Room 169 of the Capital Annex.

With there being no further business, Senator Seum made a motion to adjourn the meeting. The motion was seconded and the meeting adjourned at 3:00 p.m.